

UKIP PARLIAMENTARY RESOURCE UNIT

Are housing associations working?



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Executive summary

Housing associations have a long history in Britain as places of refuge for those homeless, disabled, fleeing abuse or otherwise in need of assisted living. Over recent decades, the proportion of social housing controlled by Housing Associations has grown significantly. But are they delivering value for money to tenants and taxpayers today?

The expansion of housing associations has diminished choice in social housing. Housing associations grew during the 1980s as local authorities were encouraged and then obliged to separate council housing stock from core budgets.¹ In the 2013-14 year, the English Housing Survey estimated that some 17.3% of all housing in England was classified as “social rented” and nearly 60% of that was under the control of housing associations, which is relatively concentrated such that there may be an effective cartel.²

The shift of responsibility for social housing from councils to housing associations has also created a lack of accountability for social housing providers. When local authorities dominated the social housing sector, tenants and residents unhappy with the way an estate was run were able to replace the sitting councillors at the ballot box. By contrast, housing associations are effectively the quangos of the housing sector, accountable neither to taxpayers, who provide much of their funding, nor their own tenants.

In the absence of accountability and choice for social housing tenants, many housing associations are not adequately fulfilling their role either as providers or developers of social housing. Increasingly high levels of boardroom pay are not matched by performance. Anti-social behaviour is frequently allowed to go unpunished, while housing development is often too slow and too expensive. As social mobility stagnates, many housing associations are not doing enough to protect law-abiding residents from low level crime. As demand for social housing soars, many associations are not acting efficiently to provide enough supply.

Using data source from Freedom of Information requests, this paper examines the performance of the fifty largest housing associations, and shows that many are not delivering value for money.

¹ H. Bentley, “Council homes: the rise, the collapse and the fall”, *Guardian*, 13 August 2008, accessed 04/02/2016 at: <<http://www.theguardian.com/society/2008/aug/13/communities.housing>>

² Office for National Statistics, English Housing Survey headline report 2013 to 2014: section 2 housing stock tables, 25 February 2015, accessed 22/03/16 at: <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469215/2013-14_Section_2_Housing_Stock_tables_and_figures_FINAL.xlsx>

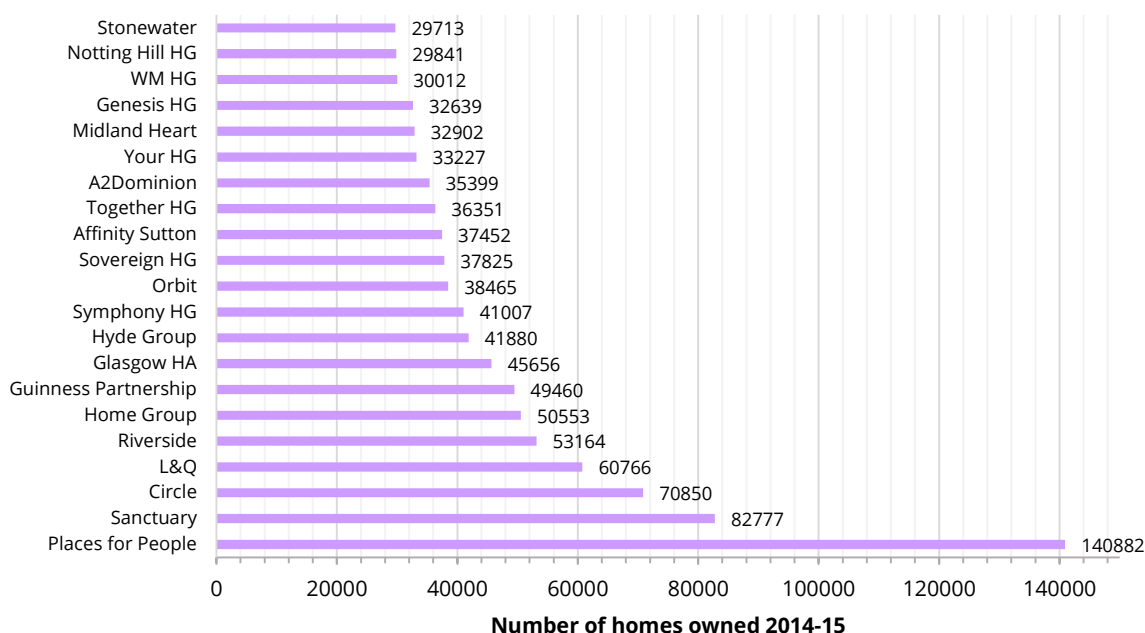
Part I: Background: the role of a housing association

The largest housing associations in Britain vary widely in their self-described aims. They are legally obliged to be independent, not-for-profit organisations that must use their profits to maintain existing homes and finance new ones. It is possible to build and manage social housing commercially, and although this is not yet common practice, some associations have considered de-registering as Government social housing providers to avoid regulation.³

The majority of housing associations have benefitted from the sale of council property over the years. However, their growth has not been even; some have aggressively expanded, keeping social housing as their mission, but with a higher volume of building activity, generating higher profits that can then be spent on improving services for tenants. Others have maintained a relatively steady state, focusing on lower rents and a good service for tenants as the priority. Those with large building programmes are the ones mainly examined in this paper, but they nevertheless serve as a window into the sector at large. Today, the twenty largest “developing” housing associations own over a million homes between them (see figure 1 below).⁴

Every housing association receives a Government grant to assist in the provision of social housing. Across the last three decades, this taxpayer funding was worth £40 billion,⁵ not including additional taxpayer money received via housing benefit. In addition, all housing association debt has recently been reclassified as public sector debt. Because housing associations represent a significant burden on the taxpayer, the good governance of housing associations is in the interest of the public as well as tenants.

Figure 1: Houses owned by the UK’s 20 largest developing housing associations, 2014-15⁶



³ T. Murtha, “The housing association that will no longer build homes for the poor”, *Guardian*, 7 August 2015, accessed 01/03/2016 at: <<http://www.theguardian.com/housing-network/2015/aug/07/housing-association-no-longer-build-homes-poor-genesis>>

⁴ The term “developing” is defined by the House of Commons Library as “simply an association with a housing development programme.”

⁵ N. Temple, “Housing associations: the sleeping giant of social enterprise growth”, *Guardian*, 3 April 2013, accessed 19/04/2016 at: <<http://www.theguardian.com/social-enterprise-network/2013/apr/03/housing-associations-social-enterprise-sleeping-giant>>

⁶ Information from housing association annual and financial reports 2014-15. Certain housing stock owned but under development was not counted. Property “managed but not owned” was likewise not counted, as were any properties running at market-level rent.

Part II: Questions for housing associations today

1. Is housing association executive pay too high?⁷

Many chief executives receive more annually than the Prime Minister (see Table 1 below). The CEOs of the very largest receive over three times that figure, with increases coming almost every year from unaccountable governing boards (see comparison in figure 2 below).

In many cases, CEO salaries have risen faster than rents. Until July 2015, the rent formula for housing associations allowed associations to raise rents in line with CPI plus 1%.⁸ Pursuant to the 2015 summer Budget, housing associations are now obliged to bring actual rents down by 1% a year for the duration of the Parliament in order to reduce costs.⁹ However, there is no corresponding restraint on executive pay.

Table 1: Annual pay of CEOs at the largest developing housing associations¹⁰

£	2014-15	2013-14 (where data available)
Places for People	483000	434000
Sanctuary	361000	316000
Circle	311642	303563
Housing 21	302000	302000
Affinity Sutton	301604	291490
Guinness Partnership	269000	262000
L&Q	269000	246000
A2Dominion	255000	249000
Southern HG	250064	194503
One Housing	247000	225000
Glasgow HA	241000	
Swan HG	241000	241000
Sovereign HG	240000	190000
Your HG	239000	190000
WM HG	223000	177000
Family Mosaic	220000	203000
Notting Hill HG	220000	176000
Aster	219644	213471
Genesis HG	218721	209757
Home Group	218491	223874
Orbit	207000	207000
Midland Heart	206000	198000
Catalyst HG	205000	203000

⁷ Again, this paper makes no assertions about individuals. Information reflects our findings from official sources. We have noted the apparent current occupant of "highest-paid director" positions for general information purposes only and note it is possible that changes may have occurred.

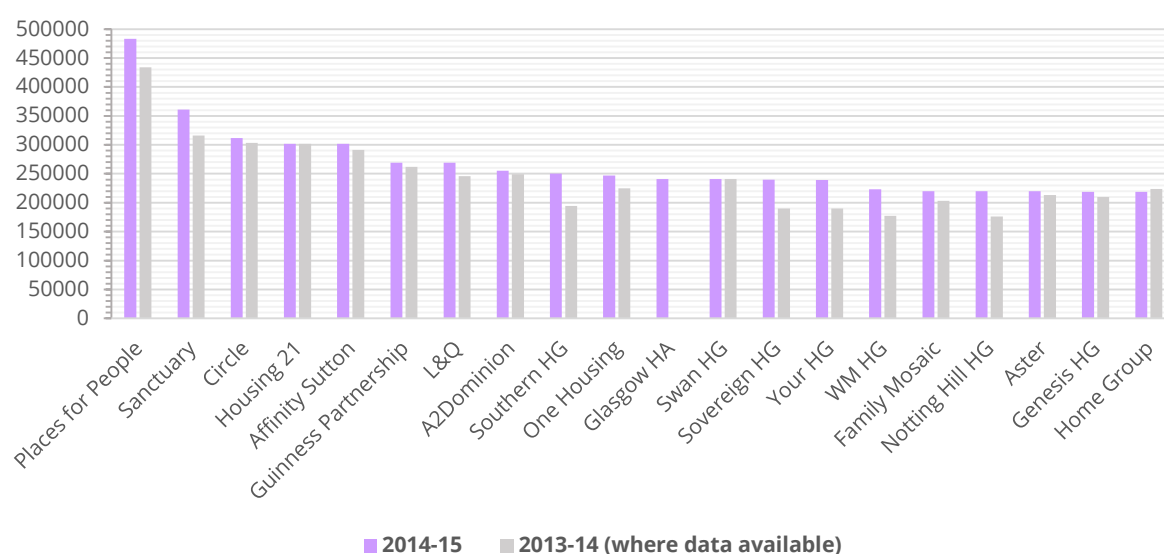
⁸ W. Wilson, *Rent setting: social housing (England)*, House of Commons Library, 14 March 2016, page 3, accessed 21/03/16 at: <<http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN01090>>

⁹ HM Government, Chancellor George Osborne's Summer Budget 2015 speech, accessed 01/03/2016 at: <<https://www.gov.uk/government/speeches/chancellor-george-osbornes-summer-budget-2015-speech>>

¹⁰ Includes bonuses and expenses, does not include pension contributions.

Waterloo HG	198000	178000
Hyde Group	198000	201000
AmicusHorizon	197000	187000
Network HG	188000	178000
Accord	188000	182000
Bromford Group	186000	236000
Symphony HG	186000	182000
Moat Homes Limited	184000	157000
DCH	182000	165000
Radian	179000	166000
Riverside	179000	178000
Stonewater	178000	166000
Plus Dane HG	177000	134359
Fortis Living	164000	159000
Together HG	164000	155000
Paradigm HG	160793	156723
Accent	156100	150600
East Thames	155000	151000
Longhurst	155000	154000
Town & Country	153000	142000
Yorkshire HG	151000	148000
Sentinel	144411	140000
asra HG	143544	140454
Great Places	141000	161000
Wrekin Housing Trust	139486	149687
Newlon Housing Trust	138830	
Hightown	136868	130013

Figure 2: Comparison of annual pay of CEOs at 20 largest developing housing associations¹¹



¹¹ Information from housing association annual and financial reports 2014-15.

The difference between CEO remuneration and average tenant rents is often extreme. On average, the salary of a CEO at one of the 50 largest associations is 51 times the average rent it charges (see figure 4 below). In the most extreme case, the CEO of Places for People, the largest housing association listed here, earned 321 times the average rent charged. However, it must be noted that while its CEO's remuneration is undoubtedly the highest, Places for People also charged the lowest average rent (see figure 3 below).

Figure 3: Average annual rent by housing association¹²

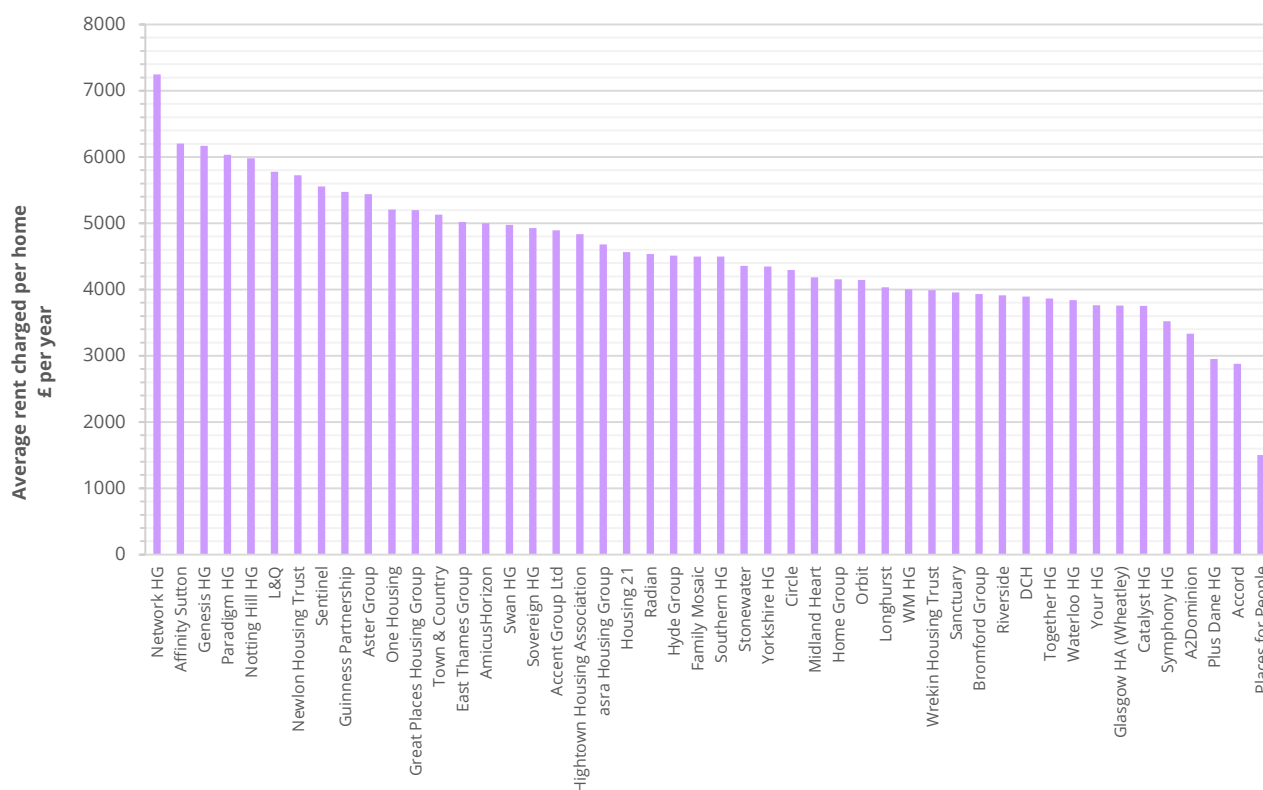
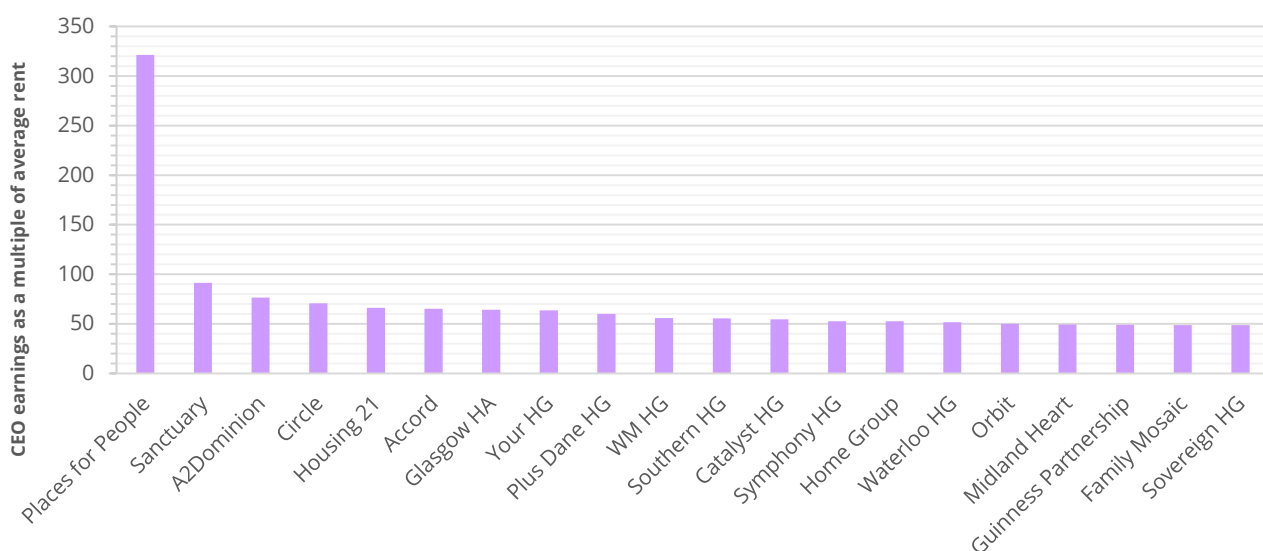


Figure 4: CEO earnings vs average rent by housing association (20 largest)¹³



¹² Rent = total social housing rental income/no. of social housing properties; information from housing association annual & financial reports 2014-15.

¹³ Information from housing association annual and financial reports 2014-15.

While the gap between executive pay and rents does not necessarily indicate misallocation of resources, the scale of the difference does raise questions. Is it right that a housing association providing accommodation to those of low incomes pays its executives so highly? Are there other areas where this money could be better spent?

2. Is rent without representation right?

If a social housing organisation is to properly manage services for vulnerable tenants, it is reasonable to expect tenant representation on the housing association's board of directors. Even in the case of associations whose expressed mission is to build, tenant representation is still important alongside property development expertise. However, it is rare for this to be the case.

Many of the largest housing associations have no tenant representation whatsoever in the boardroom. In spite of its stated "socially and commercially driven" mission, Places for People Group is monopolised by property management professionals at board level, while no tenants are represented at all.¹⁴ Likewise, the boards of Sanctuary, Circle and many other large associations are dominated by professionals working in law or financial services.¹⁵

Even those housing associations which do have permanent positions reserved for one or two residents at board or "Housing Services Committee" level,¹⁶ offer no genuine accountability. Tenants remain an insignificant minority at boardroom level, and their appointments are at the discretion of the board rather than the residents. The anti-social behaviour data later in this paper, which shows that the housing associations with some tenant board participation have not performed any better than those without, may suggest that this form of representation is merely tokenistic and fails to reflect the interests of tenants.

3. Are housing associations dealing with anti-social behaviour?

Housing associations have a duty to confront anti-social behaviour. Failing to do so allows a minority of unruly tenants to harm the life prospects of an entire community. To maximise social mobility for all, it is vital that the poorest in society are not adversely affected by their geographical location. However, the data we collected indicates that many housing associations do not deal with anti-social behaviour effectively, and that the tools for confronting anti-social behaviour successfully are too often not used.

Anti-social behaviour is more than minor annoyance. The law provides a specific definition for anti-social behaviour:¹⁷

- *Conduct that has caused, or is likely to cause, harassment, alarm or distress to any person.*
- *Conduct capable of causing nuisance or annoyance to a person in relation to that person's occupation of residential premises.*
- *Conduct capable of causing housing-related nuisance or annoyance to any person.*

¹⁴ Places for People, Who we are, accessed 01/03/2016 at: <http://www.placesforpeople.co.uk/about_us/who_we_are.aspx>

¹⁵ Sanctuary Group, Group Board, accessed 01/02/2016 at: <<https://www.sanctuary-group.co.uk/group-board>>

¹⁶ Housing&Care21, accessed 01/02/2016 at: <<http://www.housingandcare21.co.uk/about-us/our-people/ken-jeffries/>>

¹⁷ Anti-social Behaviour, Crime and Policing Act 2014, <<http://www.legislation.gov.uk/ukpga/2014/12/section/2>>

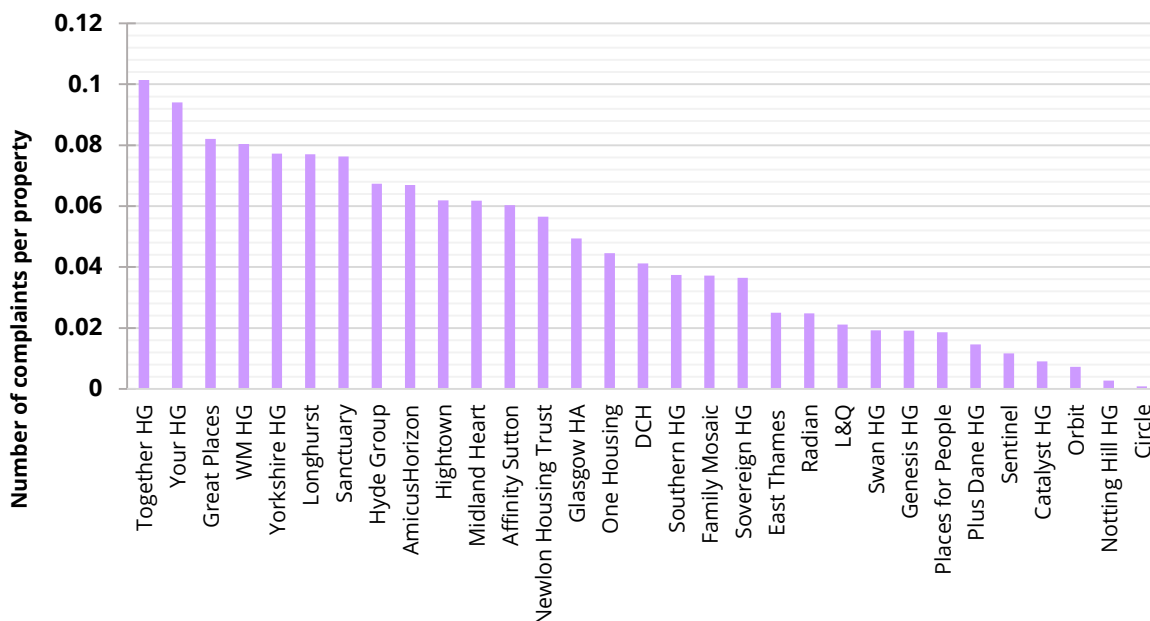
The charity Shelter further explains:

“Whatever the problem is, it has to have happened more than once to at least one person. If it's an isolated incident, it won't count as anti-social behaviour, although there may be other solutions to the problems you are facing.”¹⁸

In many housing associations, the incidence of anti-social behaviour is unacceptably high. Data that we collected from Freedom of Information requests sent to the fifty largest housing associations revealed that the several received more than one anti-social behaviour complaint for every fifteen properties (see figure 5 below). The worst-affected association, Together HG, received one complaint for every ten properties.

However, our data also reveals that anti-social behaviour in housing associations need not be endemic. The least-affected associations received less than a tenth of the number of complaints per property taken by the worst. In the best case, Circle, received fewer than one complaint per 10,000 properties (see figure 5 below).

Figure 5: Number of anti-social behaviour incidents per property by housing association



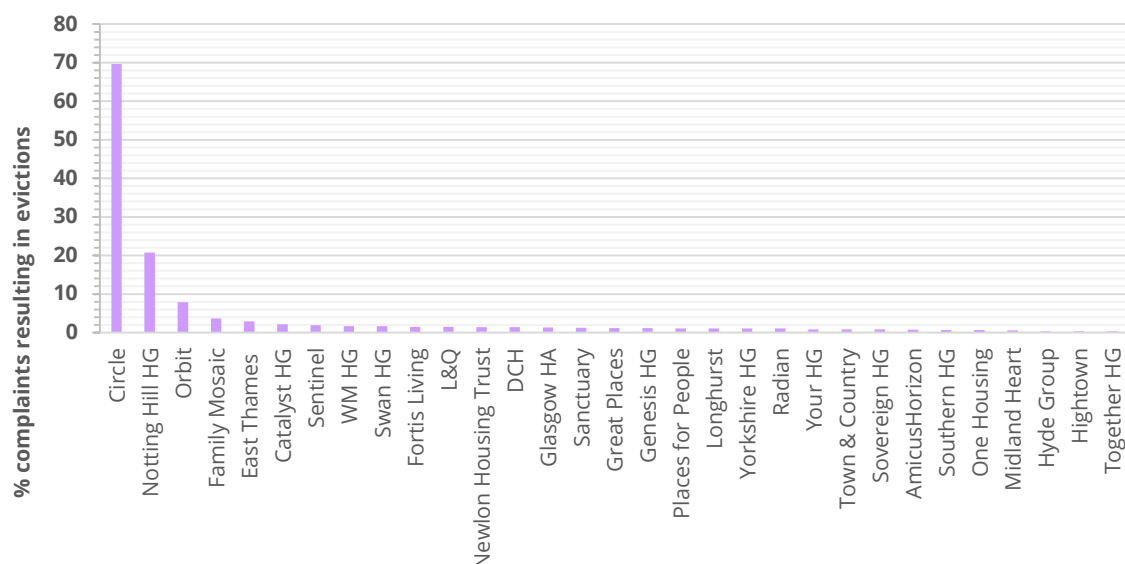
Despite the seriousness of anti-social behaviour, many housing associations do not make it a policy to punish anti-social behaviour offenders. In response to the Freedom of Information requests we sent to the 50 largest housing associations, asking how many evictions took place as a result of anti-social behaviour complaints, many housing associations stressed their preference for informal action in dealing with anti-social behaviour, rather than resorting to eviction. Indeed, for an eviction to take place, the housing association must secure a court order, which may partly explain the preference for informal action. Nevertheless, to a housing association keen to protect its tenants, this should be merely an administrative hurdle.

¹⁸ Shelter Scotland, What is anti-social behaviour?, accessed 01/03/2016 at: http://scotland.shelter.org.uk/get_advice/advice_topics/neighbourhood_issues/antisocial_behaviour/what_is_antisocial_behaviour

Our inquiries revealed that most associations evicted tenants in response to anti-social behaviour complaints in less than 2% of cases (see figure 6 below). A survey undertaken by Housemark last year, using data from National Housing Federation members, likewise found that 83% of responses by housing associations to anti-social behaviour were informal warnings. Tenancy-related responses (including evictions) totalled only 3%.

The data we collected strongly suggests that informal action is much less effective than evictions in curbing anti-social behaviour. The three associations with the highest number of evictions per anti-social behaviour complaint – Circle, Notting Hill HG, and Orbit (see figure 6 below) – are also the three associations with the lowest rates of anti-social behaviour complaints per property (see figure 5 above). The most rigorous, Circle, used evictions in 70% of cases – by far the highest of any association – and received by far the lowest number of complaints per property. By contrast, the least rigorous – Together HG – also received by far the highest number of complaints. This indicates that tougher sanctions do produce better outcomes, and that anti-social behaviour can be tackled effectively.

Figure 6: Percentage of anti-social behaviour complaints resulting in eviction by association¹⁹



By comparing how a housing association's boardroom is rewarded with the rigour of its anti-social behaviour policies, it is possible to come up with a unit by which to estimate the efficiency of each organisation: an "eviction to cost index" (see figure 8 below).

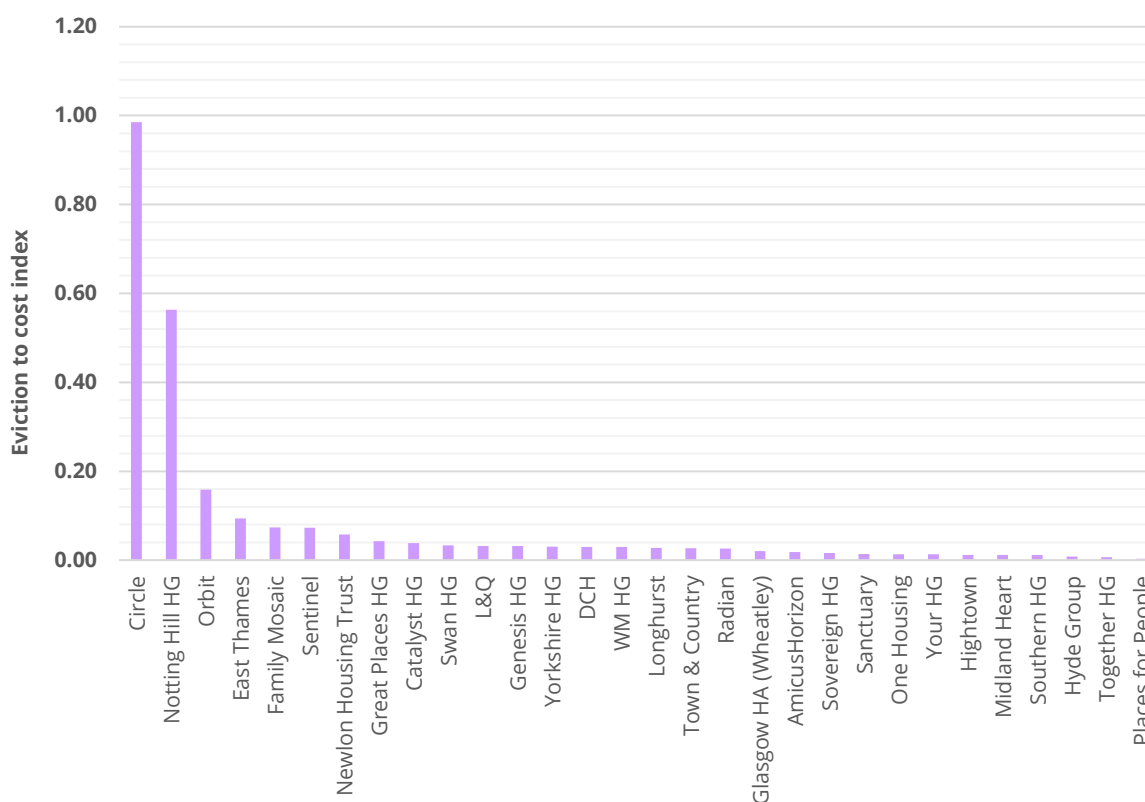
Circle, with both the toughest sanctions against anti-social behaviour one of the most modestly-paid CEOs relative to their tenants' means, scores the highest of all the housing associations that provided data. As the third largest housing association in this list, Circle may be seen as a benchmark to which others should be compared.

By contrast, Places for People, the largest housing association listed here, paid its CEO by far the highest salary, but did not address anti-social behaviour as thoroughly as Circle. Similarly,

¹⁹ Information provided by request.

Together HG was by far the least rigorous in confronting anti-social behaviour. Consequently, they performed extremely poorly in our eviction to cost index.

Figure 8: “Eviction to cost index” by housing association²⁰



4. Are housing associations delivering new affordable housing?

As Britain’s housing crisis intensifies, the expansion of the housing stock is an urgent necessity. In this endeavour, housing associations are expected to be among the main instigators of development and indeed the “principle provider of affordable social housing” in the UK.²¹ Unfortunately in the majority of cases, housing associations are failing in this duty dramatically.

Housing associations are on average much less cost-effective in building new social housing than private developers. A Channel 4 News report into housing association building programmes claimed that the private sector spends on average around £90,000 constructing a house, yet housing associations spend £150,000 building the same type of house.²² However, since this was made public, the Home Builders Federation that provided the £90,000 figure has since claimed this was taken “out of context” and that the true figure “roughly aligned” with that of Housing Associations.²³

²⁰ Omissions are due to lack of data.

²¹ According to Bob Blackman MP, member of the Commons’ Communities Select Committee.

Channel 4 News, Why are housing associations failing to build enough homes?, 23 July 2015 accessed 01/03/2016 at: <<http://www.channel4.com/news/housing-associations-homes-property-bob-blackman-david-orr>>

²² Channel 4 News, Why are housing associations failing to build enough homes?, 23 July 2015 accessed 01/03/2016 at: <<http://www.channel4.com/news/housing-associations-homes-property-bob-blackman-david-orr>>

²³ C. Wiles, “Pants on Fire”, *Inside Housing*, 31 July 2015, accessed 19/04/2016 at: <<http://www.insidehousing.co.uk/debate/expert-opinion/pants-on-fire/7011079.blog>>

Nevertheless, private developers have delivered much greater efficiency in terms of the number of new affordable houses built. Due to restrictions and inefficiencies in the social housing sector, the housing association sector as a whole built only 22,550 homes in the year 2014-15.²⁴ The private sector constructed 90,530; four times that in the same time period, despite not having access to the same funding sources or taxpayer grants.²⁵ The 50 associations listed in this paper planned in 2014 to build 44,000 homes (see table 2 below).²⁶ While this would be a significant improvement on the previous year if it had been fulfilled, it still falls some way short of the private sector's capability. As it happens, the Government's updated house completion figures for 2015-16 show that associations fell way short of these aspirations, completing only 29,240 homes.²⁷ One can only assume that 44,000 is a general aspiration.

Table 2: Number of homes planned by 50 largest developing associations for 2015-16²⁸

Housing associations	Number of homes planned (2015-16)
Sanctuary	3544
Affinity Sutton	1783
L&Q	1753
Notting Hill HG	1732
Circle	1629
Network HG	1502
Home Group	1450
Housing 21	1410
Catalyst HG	1350
Orbit	1296
Guinness Partnership	1238
Genesis HG	1234
Waterloo HG	1162
Moat Homes Limited	1152
Hyde Group	1100
Sovereign HG	1078
Places for People	1002
Aster	912
Your HG	909
A2Dominion	900
Together HG	888
Family Mosaic	797
Midland Heart	788
Longhurst	747
DCH	743

²⁴ HM Government, *House Building: December Quarter 2015 England*, 25 February 2016, accessed 01/03/2016 at: <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/502930/House_Building_Release_Dec_Qtr_2015.pdf>

²⁵ HM Government, *House Building: December Quarter 2015 England*, 25 February 2016, accessed 01/03/2016 at: <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/502930/House_Building_Release_Dec_Qtr_2015.pdf>

²⁶ D.Foster, "Top 50 developing associations ramp up activity for 2015", *Inside Housing*, 23 June 2015, accessed 01/03/2016 at: <<http://www.insidehousing.co.uk/top-50-developing-associations-ramp-up-activity-for-2015/7004377.article>>

²⁷ HM Government, *House Building: December Quarter 2015 England*, 25 February 2016, accessed 23/03/2016 at: <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/502930/House_Building_Release_Dec_Qtr_2015.pdf>

²⁸ Foster, "Top 50 developing associations ramp up activity for 2015", *Inside Housing*, 23 June 2015, accessed 01/03/2016 at: <<http://www.insidehousing.co.uk/top-50-developing-associations-ramp-up-activity-for-2015/7004377.article>>

Great Places	708
Paradigm HG	700
Town & Country	646
Bromford Group	633
Accent	592
One Housing	557
Fortis Living	550
Wrekin Housing Trust	538
Plus Dane HG	530
AmicusHorizon	493
asra HG	482
Radian	479
Sentinel	471
Southern HG	466
Glasgow HA	460
Yorkshire HG	430
Stonewater	426
East Thames	408
Swan HG	406
Newlon Housing Trust	400
WM HG	384
Symphony HG	377
Accord	356
Hightown	335
Riverside	332
TOTAL	44258

5. Conclusion

In too many cases, housing associations are not delivering either as good landlords or efficient developers. The best-performing associations in censuring anti-social behaviour demonstrate that it is possible to be effective, but they are the exceptions that prove the rule. Yet it should not be surprising that a system that limits the accountability of those in charge delivers substandard outcomes and poor value for money. Our research suggests that the overreliance on housing associations as social housing providers needs to be reconsidered.

Sources and methodology

- Information on active social housing stock was taken from Annual Reports 2014-15 unless stated otherwise.
- To estimate the average rent charged at each housing association, the total “rents receivable” income (taken from the annual report, not including service or management fees), was divided by the number of social housing units in operation (i.e. not being renovated or refurbished).
- Highest paid director remuneration was taken from Annual Reports 2014-15 unless stated otherwise. The majority of these were CEOs. Omissions are a result of lack of published data.
- Statistics on anti-social behaviour were collected via formal information requests to the 50 largest housing associations in the country.
- Statistics on housebuilding and type of tenure (i.e. social or private rented) were taken from Government releases.